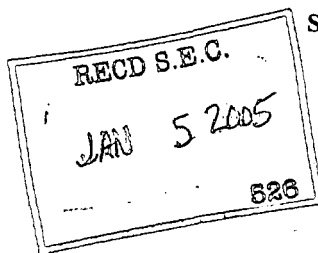


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Washington, D.C. 20549

**ANNUAL AUDITED REPORT  
FORM X-17A-5 (A)  
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-30832

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/1/03 AND ENDING 9/30/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Boston Capital Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

One Boston Place

(No. and Street)

Boston

MA

02108

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Scott Bridges (617) 624-8829

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Nardella & Taylor, LLP

(Name - if individual, state last, first, middle name)

24 Hartwell Avenue

Lexington

MA

02420

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

JAN 12 2005

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

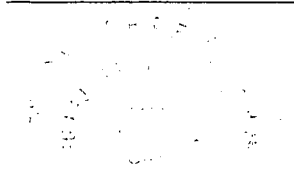
## OATH OR AFFIRMATION

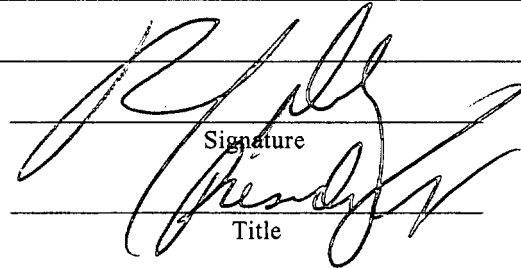
I, Richard J. DeAgazio, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Boston Capital Securities, Inc., as of September 30, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

  
Cheryl Ann Stevens  
Notary Public

  
Signature  
\_\_\_\_\_  
Title

Cheryl Ann Stevens, Notary Public  
Commonwealth of Massachusetts  
My Commission Expires 2/20/2009

This report \*\* contains (check all applicable boxes):

- ☐ (a) Facing Page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



NARDELLA & TAYLOR, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

24 Hartwell Avenue  
Lexington, Massachusetts 02420

Telephone: 781 862-6833  
Facsimile: 781 862-8277

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Boston Capital Securities, Inc.:

We have audited the accompanying statement of financial condition of Boston Capital Securities, Inc. as of September 30, 2004, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Capital Securities, Inc. as of September 30, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules I is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nardella + Taylor

Lexington, Massachusetts  
November 3, 2004

**BOSTON CAPITAL SECURITIES, INC.**  
**(Formerly Boston Capital Services, Inc.)**  
Statement of Financial Condition

September 30, 2004

Assets

Current assets:

Cash	\$ 174,863
Receivables from affiliates	306,720
Deferred tax asset	16,135
Total current assets	<u>497,718</u>

Other assets:

Marketable securities	74
Deposits	500
Total other assets	<u>574</u>
Total assets	<u><u>\$ 498,292</u></u>

Liabilities and Stockholders' Equity

Current liabilities:

Commissions payable	\$ 252,020
Commissions payable - affiliate	46,100
Accrued expenses	57,082
Total current liabilities	<u>355,202</u>

Stockholders' equity:

Common stock, \$.01 par value; Authorized 300,000 shares; issued 1,000 shares	10
Additional paid-in capital	16,490
Retained earnings	130,066
Accumulated other comprehensive income	(3,226)
	<u>143,340</u>
Less 250 shares of treasury stock, at cost	250
Total stockholders' equity	<u>143,090</u>
Total liabilities and stockholders' equity	<u><u>\$ 498,292</u></u>

*The accompanying notes are an integral part of these financial statements.*

**BOSTON CAPITAL SECURITIES, INC.**  
**(Formerly Boston Capital Services, Inc.)**  
Statement of Income

Year Ended September 30, 2004

Revenue:

Dealer-manager fees	\$ 1,972,825
Selling Commissions	<u>7,220,219</u>

Total revenue	<u>9,193,044</u>
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Expenses:

Commissions	7,846,496
Administrative reimbursements - affiliate	1,278,354
Professional fees	47,680
Broker/dealer, agent fees and other	14,048
Due diligence fees	<u>3,678</u>

Total expenses	<u>9,190,256</u>
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Income before taxes	2,788
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Provision for income taxes	<u>995</u>
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Net income	<u><u>\$ 1,793</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**BOSTON CAPITAL SECURITIES, INC.**  
**(Formerly Boston Capital Services, Inc.)**  
Statement of Comprehensive Income

Year Ended September 30, 2004

Net income	\$ 1,793
Other comprehensive income:	
Unrealized loss on available for sale	<u>(3,226)</u>
Total comprehensive income	<u>\$ (1,433)</u>

*The accompanying notes are an integral part of these financial statements.*

**BOSTON CAPITAL SECURITIES, INC.**  
**(Formerly Boston Capital Services, Inc.)**  
Statement of Changes in Stockholders' Equity

Year Ended September 30, 2004

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at September 30, 2003	\$ 10	\$ 16,490	\$ 128,273	\$ (250)	\$ -	\$ 144,523
Net income	-	-	1,793	-	(3,226)	(1,433)
Balance at September 30, 2004	<u>\$ 10</u>	<u>\$ 16,490</u>	<u>\$ 130,066</u>	<u>\$ (250)</u>	<u>\$ (3,226)</u>	<u>\$ 143,090</u>

*The accompanying notes are an integral part of these financial statements.*

**BOSTON CAPITAL SECURITIES, INC.**  
**(Formerly Boston Capital Services, Inc.)**  
Statement of Cash Flows

Year Ended September 30, 2004

Cash flows from operating activities:	
Net income	\$ 1,793
Adjustments to reconcile net income to net cash used by operating activities:	
(Increase) decrease in:	
Receivables from affiliates	(306,720)
Deferred tax asset	539
Increase (decrease) in:	
Commissions payable	252,020
Commissions payable - affiliate	(22,091)
Accrued expenses	<u>56,722</u>
Net cash used by operating activities	(17,737)
Cash at beginning of year	<u>192,600</u>
Cash at end of year	<u><u>\$ 174,863</u></u>

*The accompanying notes are an integral part of these financial statements.*



**BOSTON CAPITAL SECURITIES, INC.**  
**(Formerly Boston Capital Services, Inc.)**

Notes to Financial Statements  
September 30, 2004

**(1) Nature of Business**

Boston Capital Securities, Inc. (formally known as Boston Capital Services, Inc.) (the "Company") is registered under the Securities Exchange Act of 1934 as a broker/dealer selling tax advantaged investments in limited partnerships (the "Funds"). Investors in the Fund receive low income and historic rehabilitation tax credits based upon the type of real estate acquired by the Fund.

**(2) Summary of Significant Accounting Policies**

**Revenue Recognition**

The Company earns selling commissions and dealer-manager fees in connection with the sale of equity interests in the Funds. The commissions and fees are based on a percentage of the equity raised by the Fund and are recognized as revenue upon the closing of each equity round. The Company is also entitled to a non-accountable expense allowance equal to accountable and non-accountable expenses paid to an affiliate for due diligence expenses and administrative costs related to the offering. The allowance is discretionary and limited to a specified percentage of the equity raised by the Fund.

**Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. The Company recognizes deferred income taxes based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities calculated using enacted tax rates in effect for the year in which the differences are expected to be reflected in the tax return.

**Fair Value of Financial Instruments**

The carrying amounts reflected in the balance sheet for cash, receivables, payables and accrued expenses approximate the respective fair values due to the short maturities of those instruments.

**Management's Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BOSTON CAPITAL SECURITIES, INC.****(Formerly Boston Capital Services, Inc.)**

Notes to Financial Statements

September 30, 2004

**(2) Summary of Significant Accounting Policies (continued)****Concentrations of Credit Risk**

The Company maintains its cash balances in one financial institution located in Boston, Massachusetts. The balances are guaranteed by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, 2004, the Company's uninsured balance was \$75,232.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

**Marketable Securities**

The Company has adopted SFAS 130 as required by the Financial Accounting Standards Board. SFAS 130 requires that securities that are available for sale be presented at market value on the balance sheet. Unrealized gains and losses are recognized as a separate component of stockholders' equity.

**Recent Accounting Pronouncements**

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities", an interpretation of ARB No. 51, "Consolidated Financial Statements", which provides new accounting guidance on when to consolidate a variable interest, as defined in FIN 46, in another entity. FIN 46 applies to variable interests in variable interest entities acquired after January 31, 2003. For nonpublic entities, such as the Company, FIN 46 should be implemented no later than December 31, 2004. The management is in the process of analyzing FIN 46 to determine the impact, if any, on the Company's financial statements.

**(3) Income Taxes**

The provision for income taxes for the year ended September 30, 2004 is comprised of the following:

	Federal	State	Total
Current tax expense	\$ 5	\$ 456	\$ 461
Benefit of loss carryforwards	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Net current tax expense	-	456	456
Deferred tax expense	<u>317</u>	<u>222</u>	<u>539</u>
Income tax expense	<u>\$ 317</u>	<u>\$ 678</u>	<u>\$ 995</u>

**BOSTON CAPITAL SECURITIES, INC.**  
**(Formerly Boston Capital Services, Inc.)**

Notes to Financial Statements

September 30, 2004

**(3) Income Taxes (continued)**

Temporary differences which give rise to deferred tax assets and liabilities at September 30, 2004 result from the use of the cash method of accounting for tax purposes and the accrual method for financial reporting purposes. The Company has a federal loss carryforward that may be used to against future federal taxable income. If not used, the carryforward will expire September 30, 2021. The loss carryforward at September 30, 2004 totaled \$3,674.

**(4) Net Capital Requirement**

The Company, as a registered broker/dealer, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the Company to maintain "net capital" equal to the greater of \$5,000 or 6 2/3% of "aggregate indebtedness" as the terms are defined in the Rule. As of September 30, 2004, Boston Capital Securities, Inc. had a "net capital" requirement of \$23,680, whereas its actual "net capital" was \$72,481. The Rule also provides that an "aggregate indebtedness" to "net capital" ratio of no greater than 15 to 1 be maintained. The Company's net capital ratio amounted to 4.9 to 1 as of September 30, 2004.

**(5) Related Party Transactions**

The Company acts as a dealer/manager in security transactions for affiliates and sells investments brokered by its affiliates. All dealer-manager fees and commissions are derived from affiliated companies under common control. All accounting, clerical and other management services as well as office facilities are shared with and paid by affiliated companies. During the fiscal year ended September 30, 2004, the Company was charged for administrative expenses by affiliated companies as follows:

Salaries and benefits, including administrative support	\$ 1,198,843
Rent and utilities	44,913
General overhead and office supplies	<u>34,598</u>
Total administrative reimbursements	<u>\$ 1,278,354</u>

Of this amount, \$39,415 is included in accrued expenses at September 30, 2004.

**(6) Treasury Stock**

Treasury stock of 250 shares, valued at \$250, is stated at cost.

**BOSTON CAPITAL SECURITIES, INC.**  
**(Formerly Boston Capital Services, Inc.)**  
 Computation of Net Capital Under Rule 15c3-1 of the  
 Securities and Exchange Commission

September 30, 2004

Aggregate indebtedness	\$ 355,202
Net worth:	
Common stock	\$ 10
Additional paid-in capital	16,490
Retained earnings	130,066
Accumulated other comprehensive income	(3,226)
Treasury stock	(250)
	<u>143,090</u>
Deduct nonallowable assets:	
Deferred tax asset	16,135
Fees receivable	38,900
Other affiliate receivable	15,000
Other assets	74
Deposits	500
Total nonallowable assets	<u>70,609</u>
Net capital	72,481
Minimum net capital requirement to be maintained	<u>23,680</u>
Net capital in excess of requirements	<u>\$ 48,801</u>
Ratio of aggregate indebtedness to net capital	<u>4.9 to 1</u>

*The independent auditors' report should be read with this supplementary schedule.*



The Board of Directors  
Boston Capital Securities, Inc.:  
Page One

In planning and performing our audit of the financial statements and supplemental schedule of Boston Capital Securities, Inc. (the Company) for the year ended September 30, 2004, we considered its internal controls, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- (i) Making quarterly securities examinations, counts, verifications, and comparisons;
- (ii) Recordation of differences required by rule 17a-13;
- (iii) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

(continued)

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level, the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers and any other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended and should not be used by anyone other than these specified parties.

Nardella + Faylor

Lexington, Massachusetts  
November 3, 2004